Options Appraisal workbook
Planning Advisory Service pilot projects
Content

Introduction ........................................................................................................................................... 3

The key phases of an options appraisal ......................................................................................... 8

   Phase One ......................................................................................................................................... 9
   Phase Two ....................................................................................................................................... 15
   Phase Three .................................................................................................................................... 19
   Phase Four ..................................................................................................................................... 20
   Phase Five ..................................................................................................................................... 21

Appendices ......................................................................................................................................... 23

   Appendix A - Appraising the Options - Baseline Matrix ............................................................ 24
   Appendix B - Making the Right Choices - presentation ............................................................... 27

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Introduction

An options appraisal is a technique for reviewing options and analyzing the costs and benefits of each one. It helps to ensure informed decision making by providing a process that requires:

- the key objectives that must be achieved to be identified
- the different ways of achieving these objectives to be described and
- the pros and cons of each of these ways to be considered in terms of the benefits (financial and non financial) that they can deliver.

You need to note an options appraisal needs to be planned, managed and resourced, irrespective of its scale.

We have developed a methodology which puts the process into five phases which you work through.

Local Partnerships will provide support at key points, facilitate workshops and provide helpline support.

The following table outlines the five phases in the process.

**A five phase approach**

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Project start up, strategic content, key objectives and outcomes, levels of risk and control, delivery options available, governance and stakeholder management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>Gather information, develop evaluation criteria, conduct high level option appraisal</td>
</tr>
<tr>
<td>Phase 3</td>
<td>Identify a short list of options</td>
</tr>
<tr>
<td>Phase 4</td>
<td>Validation of processes and outcomes</td>
</tr>
<tr>
<td>Phase 5</td>
<td>Determine the next steps for progressing</td>
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</table>
Background

Within Local Government constant change is the order of the day and for planning and development managers and staff this is going to lead for a need to look at services in a new way. A Professional approach is needed to keep planning projects on track and move them forward against shifts in property markets, economic and social trends, environmental pressures and political priorities.

The planning system is undergoing major reform, through the Localism Act, National Planning Policy Framework and the Open Services white paper.

The Coalition government’s emphasis on planning for growth, financial incentives for development, the presumption in favour of sustainable development and the draft national planning policy framework is part of a new political landscape that planning strategies and development proposals need to take into account.

All this is against a back drop of on going reduction in Local Authority budgets and the Open Public Services white paper1 which aims to revolutionize the way public services are commissioned and delivered.

Indeed planning is one of the six services named as an area for opening up further to local commissioning this means that new methods of service delivery will need to be considered by Local Authorities.

At the start of 2011 PAS and Local Partnership delivered a series of workshops on new models of service delivery to over 60 different Local Authorities. This new project is the next stage of that work.

Pilot Projects

In order to test our methodology and to support the PAS benchmarking and improvement work we are working with 6 different Planning authorities over the next 3 to 4 months to develop a service which we then hope will be available to all Local Authority Planning departments.

Additional Outcomes

As well giving you an understanding of the options appraisal process going through this exercise will also give you:

1. A better understanding of the business / service you are in.
2. Develop the skills and capability of those involved.
3. Engages and develops an understanding of stakeholders.
4. You will have greater clarity over what success looks like for your service.
Who are Local Partnerships?
Local Partnerships is a joint venture between HM Treasury and the Local Government Association being 100% owned by central and local government. We work with government, local authorities, local public bodies, and the community focused third sector who deliver public services, to support them deliver investment in local public services and infrastructure. Through our ownership, and joint activities with other parts of the Local Government Association, we form part of the local government family.

The New Models Programme
We are currently looking to support local authorities and other public bodies at an early stage in reviewing new ways of delivering services, to develop and support innovative solutions to new and emerging challenges. The first stage of this is to support you in looking at the different delivery options and to give people the tools and confidence to undertake the initial options appraisal

Linking the three elements of the PAS Approach
Improvement, change and innovation are best prepared for by properly considering the different options of delivery available, and having a good, evidence-based understanding of your present service operation. We propose to merge elements of our benchmarking work, delivery options appraisal and improvement planning workshops to help you achieve this position:

The objective is to equip the decision makers your with all of the information and data they need to be confident about making decisions, whether that be about choosing to change or a sound case for keeping things as they are.
What is the workbook for?

The aim of this workbook is to help you undertake a high level options appraisal, gaining a greater understanding of the business you are in, together with the different delivery models that might be available for your service (s).

This guidance is aimed at those in the team undertaking the exercise. The following groups may also find elements of the workbook useful:

- Public sector employees considering an options appraisal as it give them an understanding of the process
- Future Commissioners of public services as it gives them an overview of the options available.
- Senior officers considering the strategic direction as it requires clear thinking and setting of objectives
- Informing Politicians of the options available and allows them to set the scope and input into the process.

What is it for? – The workbook is aimed at taking you through an options appraisal based on a number of key stages. It helps you to identify the actions that you need to take and the information that you will need to assemble to ensure that the appraisal of options is undertaken with evidence and is as objective as it possibly can.

Why is it needed? – It gives a framework to the process, taking you through step by step allowing you to record the outcomes as you progress. This will ensure that the process and its outcomes are transparent and can be shared with others.

How can it be used? - This workbook can be used by a project or service team looking at different ways to deliver a service in the future and to help direct early thinking and identify what needs to happen next.

A completed work book will ensure that you have begun to set out a case for change and it you will give you the basic building blocks to engage in any internal debate on the best way to deliver Planning Services.

How do you undertake options appraisal?

The options appraisal assessment takes place early on in the commissioning journey and is a fundamental part of the process.

You will have determined what you are seeking to achieve, undertaken preliminary reviews of existing information, consulted with stakeholders and drawn up an initial long list and then short list of options, building on the work that has gone before. The preferred option will be identified, the Indicative costs developed and, importantly, the VFM (Value for Money) and affordability of the project.
Whilst straightforward in concept, options appraisals are demanding, as it requires a wide range of skills and experience. It is a process that evolves and requires analysis of information and knowledge of what can be done. It also needs to incorporate reassessment of earlier views as fresh information comes to light.

The identification and appraisal of a range of options that will deliver the service changes and outputs required is particularly critical in the case for change process. VFM needs to be secured through looking creatively at all the opportunities and systematically identifying and comparing the alternative ways of delivering project objectives to determine the option which best meets the requirements at optimum cost. The options appraisal will indicate if there is a sound case for the selected route and should include a preliminary test of its suitability and feasibility.

The following is a guide to take you through the options appraisal process.
The key phases of an options appraisal

Every Options Appraisal is different depending on the scope and scale of the project and whether it is about delivering services or capital projects. It is possible, however, to set out some key steps which will be common to all.

**Phase One**
- Identify the strategic context and need for the services
- Agree the key objectives and outcomes required
- Identify the different options available to you
- Establish the governance and stakeholder management
- Establish the level of risk and control your authority may be willing or able to transfer

Most of this will be covered in the first on site workshop

**Phase Two**
- Identify how the options appraisal will be undertaken
- Develop the evaluation criteria you are going to use
- Gather information you need to inform your assessment

This will form the bases of the second on site session which is a challenge session with a group of 2 to 3

**Phase Three**
- Conduct an appraisal and identify a short list of options.

The third on site session is a workshop when we take you through this process

**Phase Four**
- Validation of process / outcomes

**Phase Five**
- Determine the next steps for progressing preferred options.

The final meeting with LP and PAS covers your final workbook and what you will do next.

The following is to help stimulate your thinking and enables you to capture the outcomes in order to use them in any future report or business case preparation.
Phase One

a) Identify the strategic context and need for your services

Objective of this is to understand both national and local issues which will impact on the service now and in the future.

Issues you will need to consider (for example):

National level

- Implications from the Open Services white paper for planning with greater emphasis on opening services up.
- Policy Issues e.g. National Planning Policy Framework
- Localism Bill with the introduction of right to challenge, greater input from town and parish councils.

Local level

- What are key local issues e.g. budget constraints for the authority this service
- What is the authority’s track record of service delivery
- What is the authority’s experience of working with third parties
- Is the authority procurement or commissioning led?

Signposting - documents you will find helpful:

- Localism Bill
- Open Services White paper
- Local Authority Corporate Plan
- Local Authority Service Plans

Recording your outcomes

You may find it helpful to think about the national and strategic context for the future delivery of your services by undertaking a SWOT or a PESTEL analysis. It will also provide an easy way to share your thinking with others.

SWOT analysis – this relates to the actual service and authority

<table>
<thead>
<tr>
<th>STRENGTHS (internal issues)</th>
<th>WEAKNESSES (internal issues)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPPORTUNITIES (external issues)</td>
<td>THREATS (external issues)</td>
</tr>
</tbody>
</table>

Commercial expertise driving value and efficiency in local public services
PESTEL analysis – this helps you discuss the external environment more

| Political |  |
| Economic |  |
| Social |  |
| Technology |  |
| Environmental |  |
| Legislation |  |

b) Agree the key objectives and outcomes required for your services

An Options Appraisal is a way of ensuring that you maximize the chances of securing the objectives for your service by identifying the most appropriate set of actions or outcomes. It is crucial, therefore, that these objectives can be clearly identified and described.

Issues you will need to consider:

For example:
- What are our current objectives? Are we achieving these?
- Do we need think about new objectives? What are the drivers behind these?
- Are these aligned with national direction?
- Do they represent local drivers?
- What are the key risks for our services and the implications for future service outcomes?
- Does this new set of objectives represent a change about:
  - Efficiency
  - Quality
  - Service scale
  - Governance
  - Collaboration
  - Other aspects of the service
Signposting - documents you will find helpful:
- Baseline matrix date [see appendix]
- PAS benchmarking date
- Corporate and Service plans

Recording your outcomes
Presented below is a matrix that you may find helpful for recoding and describing your service objectives. It requires a description of the objective and also the nature of the change that will be required to achieve it and the time frame. For example the timescale for deterring planning applications.

<table>
<thead>
<tr>
<th>Key Objectives</th>
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<tbody>
<tr>
<td>(Your) Objective 1</td>
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<td>(Your) Objective 2</td>
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<td>(Your) Objective 3</td>
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<tr>
<td>Efficiency</td>
<td></td>
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<tr>
<td>Service Improvement</td>
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</tbody>
</table>

**c) Establish the level of risk and what your authority may be willing or able to transfer**

It is important to establish the level and type of risk that the Local Authority might be prepared to accept for your services. Gaining an understanding of this will help to identify the potential level of acceptability of the options and whether it suggests that some options may not be worth appraising at all.

**Issues you will need to consider:**
For example:
- What sort of legislative control is required?
- What member involvement will be required?
- What is the Local Authority approach to risk with service delivery?
- What is the LA experience of Services being delivered by 3rd parties?
**Signposting - documents you will find helpful:**
- Your LA risks register
- Corporate and service plans
- Previous audit letters

**Recording your outcomes**
Summarise below what you have identified as the key risks facing your service and the ways that these risks might be mitigated. The recording distinguishes between risks in the short term (1-2 years) and also the longer term (3-5 years).

<table>
<thead>
<tr>
<th>Key Risk</th>
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<tr>
<td></td>
<td>Next 1-2 Years</td>
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<table>
<thead>
<tr>
<th>Key Risk</th>
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<tbody>
<tr>
<td></td>
<td>Next 3 – 5 Years</td>
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</table>
d) Identify the different delivery options available to you

The next step requires you to identify the models of delivery that you want to begin to appraise.

There are a number of possible models but you may choose not to appraise them all. For example, because there is evidence that there would be no political appetite within the LA to pursue such a model.

The possible models are listed below:

- In-house
- Shared services
- Social Enterprise
- Outsourcing
- Joint Venture
- Consortium

Issues you will need to consider:

- The Local Authority experience of working with different models
- Does the Local Authority have preferred delivery method?
- What are the politically “acceptable methods”
- How are other Local Authorities addressing the issues?

Signposting - documents you will find helpful:

- Corporate and Service plan
- Outputs from LP/PAS workshop
- Localism bill– right to challenge
- Open services Whitepaper

Recording your outcomes

Below is a framework for recording the different delivery options and the pros and cons for each. This will help you to determine which of these options, if any, you do not want to appraise and the reasons why.

<table>
<thead>
<tr>
<th>Options for service delivery method</th>
<th>Local advantages</th>
<th>Local disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Column 1</td>
<td>Column 2</td>
<td>Column 3</td>
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</table>
Phase Two

a) Identify how the options appraisal will be undertaken

It is important that the options appraisal is well planned and there is clarity about who is accountable for it, who will be involved in the work, the individuals who will undertake the actual scoring of the options and how and to whom the results will be reported.

**Issues you will need to consider:**

For example:

- Timescales
- An outline project plan
- Governance arrangements
- Who will be undertaking the options appraisal?
- How will the exercise be run – in a workshop type session?
- What evidence /information do you need to gather together before you undertake the appraisal?
- Which stakeholders do we need to manage – why and how?
- How will the results be reported? To whom?

**Signposting - documents you will find helpful:**

- Outputs from LP/PAS workshop
- Current council corporate groups
- Current departmental groups
- Council committee structure

**Recording your outcomes**

The checklist below enables you to record the key decisions you make about the way in which the options appraisal will be undertaken.

<table>
<thead>
<tr>
<th>Accountability to who</th>
<th>Members of the options appraisal group?</th>
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<tbody>
<tr>
<td>Governance arrangements?</td>
<td></td>
</tr>
<tr>
<td>Key milestones In the plan?</td>
<td></td>
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<tr>
<td>Evidence/information required?</td>
<td></td>
</tr>
<tr>
<td>Key communications/messages?</td>
<td></td>
</tr>
<tr>
<td>Reporting the results?</td>
<td></td>
</tr>
</tbody>
</table>
Finish here the next on site session will help you determine the criteria

b) Developing the appraisal criteria

Having identified the objectives that must be secured for the service, the next step is to describe these in terms of the criteria that will be used to appraise each of the selected options.

You will also need to decide if there is a priority amongst these criteria and is so what weight will be assigned to each of the criterion.

Issues you will need to consider

For example

- Key corporate outcomes requirements
- Key service outcomes
- Quality issues
- Financial
- Sustainability of service
- Governance

Signposting - documents you will find helpful:

- Corporate and service plan
- LP/PAS workshop outputs
- Base line matrix document [see Appendix]
- PAS benchmarking
- Any criteria used in other service areas

Recording your outcomes

<table>
<thead>
<tr>
<th>Appraisal Criteria</th>
<th>Description</th>
<th>Weighting</th>
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</table>
c) Gather the information required to inform your assessment

An options appraisal must be informed by evidence and fact and not opinion. Before undertaking the scoring of each option against the appraisal criteria, information needs to be gathered which will help the scoring group decide how well each ‘performs’ against each criterion.

For example, a criterion which is about acceptability of an option to staff cannot be scored on ‘here say’, assumption or opinion but will require more objective information, for example survey results, in order to make a robust assessment.

Issues you will need to consider

For example:
- Issues arising from base line matrix
- Key outcomes from PAS benchmarking
- Any local stakeholder surveys e.g. MORI
- Any service related surveys

Signposting

Documents you may find useful:
- LP/PAS workshop outputs
- Baseline Matrix (see appendix)
- Corporate and service plans

Recording your outcomes

<table>
<thead>
<tr>
<th>Type of evidence</th>
<th></th>
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<tbody>
<tr>
<td>e.g. Finance</td>
<td>Financial Liability</td>
<td>Council budget book</td>
</tr>
</tbody>
</table>
d) **Conduct a high level options appraisal**

This is the actual appraisal session.

**Issues you will need to consider**

For example:

- When you are going to do it and where?
- Timescale for it
- How are you going to use the criteria previously agreed?
- Who is going to take part?
- Briefing material/awareness
- How are the results being captured?

**Signposting**

Documents you may find useful:

Outputs from steps 5, 6, and 7

**Recording your outcomes**

Summarise the process that you have gone through and also what you worked well and not so well. This will provide important learning for others.

<table>
<thead>
<tr>
<th>Outline the process you went through</th>
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<table>
<thead>
<tr>
<th>What were the key lessons (what worked well, what not so well?)</th>
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</table>
Phase Three

a) **Identify a short list of options**

Having been through all the previous steps you should now have a reduced number of options which are appropriate for you, your area and your Local Authority.

**Issues you will need to consider:**

For example:

- How were the options identified?
- What criteria generated the most differences between models?
- Are there any options that can be discarded and why?

**Signposting**

Documents you may find useful:

- Any previous work the Local Authority has undertaken.

**Recording your outcomes**

<table>
<thead>
<tr>
<th>Model appraised</th>
<th>Total non-weighted score</th>
<th>Total weighted score</th>
<th>Rank order</th>
<th>Notes on scoring of criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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**Key Message**

What models can deliver your required outcomes?
Phase Four

a) Assessment and validation

You have now undertaken an Options Appraisal and identified one or more delivery models that appear to have the potential to deliver the objectives for your service. What happens next is revisiting the process to ensure you have accurately captured what you did in the decision making process needs to be agreed.

Issues you will need to consider

For example:
- What were the key outcomes?
- How were the results reported?
- Do you need further information?
- Does it need some form of independent validation?

Recording your outcomes

Summarise your validation process
Phase Five

a) Determining your next steps

You have now undertaken an Options Appraisal and identified one or more delivery models that appear to have the potential to deliver the objectives for your service. What happens next in the decision making process needs to be agreed.

Issues you will need to consider

For example:
- Who do you share outcomes with and how?
- What way are the results reported?
- Do you need further information?
- Does it feed into any Council transformational programme?

Recording Your Outcomes

Summarise your next steps and actions below.

<table>
<thead>
<tr>
<th>Next steps and actions to be taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
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<td>2)</td>
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<td>3)</td>
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Appendix A

Appraising the Options - Baseline Matrix

Appraising the Options
The attached matrix will help you to understand if you have all the information required to conduct a full appraisal of your service.

Where possible please review the matrix and draft some notes in the ‘work undertaken to date’ column against each of the activities. It would be helpful if you could also gather documentary evidence which underpins each activity and reference the materials for ease of review.

The matrix is organised around a set of key questions:

UNDERSTANDING THE CURRENT BUSINESS
What business are you in, how well do you know the current services which sit within that business, who might you sell the business to?

STRATEGIC CONTEXT
Do you have a good understanding of the environment your business operates in? Is anything going to change within that environment that will have an impact on your future business?

VISION FOR THE FUTURE
Where do you want to take your business in the future? What will you be doing, how will you be doing it and with whom, how big do you want to become what will your workforce look like?

ENGAGING WITH STAKEHOLDERS
How are you involving stakeholders in determining the future of the service?

UNDERTAKING OPTIONS APPRAISAL
How can you ensure that the options appraisal process is robust?
### UNDERSTANDING THE CURRENT BUSINESS
How well do you know the current service and the nature of its ‘business’?

<table>
<thead>
<tr>
<th>KEY ACTIVITY</th>
<th>WORK UNDERTAKEN</th>
<th>OUTCOMES / ISSUES / GAPS</th>
<th>NEXT STAGES OF WORK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service provision</strong></td>
<td></td>
<td></td>
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<tr>
<td>What services do you provide, have you assessed those services and decided which of those you want to take with you and why?</td>
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<tr>
<td><strong>Financial model and performance</strong></td>
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<tr>
<td>Do you understand the costs of your services (both direct and indirect costs)? Where does your income come from? What contractual arrangements do you have in place and will they change?</td>
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<tr>
<td><strong>Performance</strong></td>
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<td>How do you measure up?</td>
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<td>- Quality?</td>
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<td>- Access?</td>
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<tr>
<td>- Benchmarking?</td>
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<tr>
<td>- Do you have service development plans in place?</td>
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<td><strong>Staffing</strong></td>
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<td>- How many? Grade/level/age profile?</td>
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<tr>
<td>- Key staffing issues?</td>
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<td>- Any thoughts on your future workforce models?</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
### Key Activity

<table>
<thead>
<tr>
<th>Work Undertaken To Date</th>
<th>Outcomes / Issues / Gaps</th>
<th>Next Stages of Work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets and Estates?</strong></td>
<td></td>
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<tr>
<td>- Do you have a list of your assets (buildings and equipment, IT)? What is the value of your asset base?</td>
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<tr>
<td>- Are there any legacy repair/maintenance issues?</td>
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<tr>
<td>- Would you envisage continuing to use those assets?</td>
<td></td>
<td></td>
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<tr>
<td>- Would you want to own those assets in the future?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Functions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- What are these?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- How are they currently accessed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Would you be taking some of these people with you or purchasing the service from elsewhere?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- What do you currently pay for these services?</td>
<td></td>
<td></td>
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<tr>
<td><strong>Strength and Weaknesses?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you assessed the strengths and challenges of your current service offer from a range of perspectives? (Commissioners, users, careers, staff? others?</td>
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</tr>
</tbody>
</table>
Appendix B

Making the Right Choices:
Options Appraisal and Service Delivery Options - presentation

About Local Partnerships

Our mission
Local Partnerships mission is to enhance the quality of people’s lives by giving trusted, professional support to local public bodies to improve their ability to source and deliver high-quality, cost-effective public services and infrastructure.

What are we?
We are jointly owned by HM Treasury and the Local Government Association. We provide the public sector with commercial expertise and know-how.

Who do we work with?
We work with all Councils, local authorities and public service providers.

Housekeeping issues

- Emergencies
- Breaks
- Ground rules and mobiles
- Car park and issues to be taken away

About you...

- Who you are
- Your role and organisation
- Any knowledge/experience of options appraisal
- Your expectations from this workshop

Session 1

Introductions, why we are here

Workshop objectives

- Appreciate the changing landscape of the Planning Sector and the opportunities and challenges that they present
- Overview of the strategic commissioning process
- Awareness of the range of suppliers available in the sector and an insight into alternative service delivery models that are being developed
- Understand the importance of options appraisal as a business planning tool
- Consider the benefits, risks and barriers to effective options appraisal
- Consider the evaluation criteria that should be included in appraising service delivery options for planning
- Understand how to complete the workbook which supports this project

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Outline for the day

<table>
<thead>
<tr>
<th>Options Appraisal workbook</th>
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</thead>
<tbody>
<tr>
<td>Introductions &amp; objectives</td>
</tr>
<tr>
<td>The changing landscape</td>
</tr>
<tr>
<td>Overview strategic</td>
</tr>
<tr>
<td>commissioning</td>
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<tr>
<td>Service Delivery Models</td>
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<tr>
<td>Introduction to Options</td>
</tr>
<tr>
<td>Appraisal</td>
</tr>
<tr>
<td>Undertaking an Options</td>
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<tr>
<td>appraisal</td>
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<tr>
<td>Options evaluation</td>
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<tr>
<td>Introduction into the</td>
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<tr>
<td>business case</td>
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<tr>
<td>How to use the supporting</td>
</tr>
<tr>
<td>workbook</td>
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<tr>
<td>Action planning, evaluation</td>
</tr>
<tr>
<td>and close</td>
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</tbody>
</table>

Session 2
The Changing Landscape

David Cameron
Prime Minister

Nick Clegg
Deputy Prime Minister

Danny Alexander
Chief Secretary to the Treasury

George Osborne
Chancellor of the Exchequer

Eric Pickles
Secretary of State for CLG

Francis Maude
Minister for the Cabinet Office

Efficiency savings are not going to be enough

Commercial expertise driving value and efficiency in local public services
Better, cheaper: mission impossible?

With all the talk of transformational change in public services, why are service providers still stuck in the past?

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In Summary

- Political
- Economy
- Social
- Technology
- Environmental
- Legal

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National context, local impact

Exercise:

In groups:
1. Discuss and lists the opportunities presented.
2. Discuss and lists the challenges presented.
3. What are the Local issues in your area.

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In Summary

...in summary

External world is changing quickly and all areas need to be considered this alongside local factors.

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Towards strategic commissioning: the journey

Lyons Inquiry (Place Shaping – A shared ambition... 2007)

CCT

Open Services – coming soon

BSF

BFI

Gershon efficiency review

Best value

Grants to 3rd sector organisations

“What we now call strategic commissioning has developed over time and is not a new idea”
Options Appraisal workbook

**What is it about?**

Commissioning – a broad concept, many definitions. Combines:

- Effectiveness and efficiency – the best possible outcomes within the resources available.
- Procurement as one of the key means of achieving this.
- On-going process

Essentially, about achieving effectiveness and efficiency in the way we design, develop and deliver services that meet our vision for our community.

**Need to insert latest ones we use**

- Options slides
- Journey slide

**Strategic commissioning model**

- Service delivery
- Users / communities
- Needs
- Resources
- Delivery options
- Procurement
- Review
- Monitoring
- Delivery

**Current and alternative models exercise**

- In House
- Third Sector
- Social Enterprise
- Private Sector
- Model
- Mixed Economy
- Partially Externalised Service
- Fully Externalised Service
- Hybrid Model
- A Shared Service
- Independent Voluntary Trust
- Volunteer
- Joint Venture
- Worker Co-operatives
- Consortium
- Joint Venture
- Officers
- Member
- SMT
- Officers
- Members

**Delivery model pros and cons**

Exercise – Discuss the pros and cons of options

- Degree of Innovation
- Degree of Risk

**Session 4**

Potential service delivery vehicles
Session 5
Options appraisal

Why options appraisal?

Typically, an options appraisal is used to assist authorities take the right decisions by ensuring that no policy, programme or project is adopted without first answering these key questions:

- Are there better ways to achieve our objectives?
- Are there better uses for the resources available?
- Is this the best way to achieve our desired outcomes?

Where options appraisals are used?

- Policy, programme and project development – decisions on the level and type of service to be provided, now and in the future
- New or replacement capital projects – decisions to undertake a project, its scale and location, procurement method, timing and the degree of private / third sector involvement
- Use or disposal of existing assets – decisions to sell land, or other assets, replace or redevelop facilities or operations
- Procurement decisions – decisions to purchase the supply of services

10 key steps in options appraisal

1) Identify the strategic need for the services and the context it works.
2) Agree the key objectives and outcomes required.
3) Establish the level of risk and control your authority may be willing or able to transfer.
4) Identify the different options available to you.
5) Undertake the options appraisal.
6) Develop the evaluation criteria.
7) Gather information you need to inform your assessment.
8) Conduct a high level options appraisal.
9) Identify a short list of options.
10) Determine next steps – business case.

Options Appraisal Process

1. Agree methodology and resources
2. Selection of criteria
3. Consultation plan
4. Vision, demand and scope for improvement
5. Appraisal of options
6. Sensitivity analysis and optimisation
7. Selection of preferred option
8. Report to Board/Executive/Cabinet
9. Preparation of outline business case
10. Development of provision

Benefits and risks in options appraisal

- Exercise
  - From your experience of conducting options appraisal what are the main...
    - Challenges
    - Opportunities

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Options Appraisal workbook

Barriers to robust appraisals

Options often are ruled out because:
- They are judged to be too ‘radical’
- Appraisal will be difficult
- They involve confronting difficult choices and vested interests

Options should be appraised on their costs and benefits, not on personal preferences of key stakeholders or individuals.

Appraisal bias

Options appraisal can sometimes reflect an overly optimistic view of the effect of a particular option. However there is evidence of ‘appraisal bias’ in which options appraisal is carried out with a predetermined option in mind.

‘Appraisal bias’ can take many forms:
1. Failure to fairly assess current performance to identify strengths and weaknesses
2. Undervaluing and underestimating the capacity of the authority to achieve change whilst simultaneously overstating capacity and track record of private or voluntary sector
3. Inadequate and selective research
4. The appraisal does not establish the business need for the preferred option
5. The identification of transitional and permanent costs is incomplete
6. Evaluation of options transparent and is biased against in-sourcing and public-public collaboration options
7. Appraisal displays a lack of understanding of the economics and market forces operating within the sector

Overcoming barriers - discussions

Overcoming barriers – possible governance

Session 6 Options evaluation

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32
Options Appraisal workbook

Evaluating options

- More than a formulaic box-filling exercise
- Assessment of impacts should include descriptive analysis as well as numerical and financial
- Descriptions should be full and accurate
- Estimates and forecasts clearly stated so can be judged accordingly
- Prioritise the top 10 criteria into broad groups according to project objectives
- Weighting of criteria must be transparent and politically approved
- Costs and benefits of each option should
  - Be proportionate to the likely impact
  - Identify direct and indirect impacts

Options Appraisal Criteria - Example

Options Appraisal Matrix:
1. Design and scope
2. Accountability, governance and participation
3. Financial assessment
4. Quality of service
5. Local/Regional economy and community well being
6. Quality of employment
7. Sustainability development
8. Ability to address social justice and inequalities
9. Capability, management and intellectual knowledge
10. Organisational arrangements
11. Added value
12. Corporate impact on the authority

Evaluation exercise

- Key criteria from different perspectives
- Professionals
- Politicians
- Senior Managers
- General Public
- Users of Service

The Business Case

The business case should:
- Contain a live risk register and keep this updated on an ongoing basis. The potential impact of each of these risks should be considered, followed by mitigation measures for each;
- Should help provide a clear audit trail of how the preferred option has been reached and that it works best financially for the Council and for best meeting the aspirations and needs of the community;
- Be viewed as a living document that will need to be adapted as the preferred option is identified and developed;
- Be developed in detail around the commercial elements of the option so that it evolves into a full business case to support the final decision made.
Finishing the cycle monitoring and managing performance

Keeping track of whether service is meeting the needs of the community as identified in the needs assessment and delivering the outcomes required as specified in the contract requires:

- Clarity about the results to be achieved
- Planning and commissioning services that will deliver these results
- Clarity as to how progress and performance will be measured
- Reviewing how well it delivering
- Using information to decide what needs to change
- Taking action that will lead to improvement
- Showing the difference that the service is making

Session 8
The Workbook

Session 9
Action planning, evaluation and close

... so what?

Action planning

2/3 things you would do or key issues to be addressed when you go back to work.

Further support available?

Contact details
Local Partnerships Sector Contact
Mark Poppy
07900 900972
mark.poppy@local.gov.uk

Anne Jarrett
07917813829
anne.jarrett@local.gov.uk

Need to determine content here
About Local Partnerships

Local Partnerships is jointly owned by HM Treasury and the Local Government Association. As local government's commercial taskforce, we provide the public sector with expertise, assurance and value for money know-how.

We work exclusively with public sector to equip it with commercial skills to deliver value. Our current work covers asset management, social enterprises, waste, carbon reduction, health and wellbeing, PFI/PPP and other Local Infrastructure projects and assurance.

For further information or visit www.localpartnerships.org.uk